



PART I
THE JAPANESE PERSPECTIVE

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JAPAN'S INTERNATIONAL AMBITIONS

Japan has desired to gain international political rank equal to its international economic status. Failure to achieve this objective has added to their strangely ambivalent attitude towards the United States. Characterized by conflicting emotions--gratitude, resentment, trust, and mistrust--this attitude has reflected the growing sense of frustration with the development of Japanese-American relations over the past two decades. The Japanese had expected and assumed that since this relationship had become the principal focus of their postwar foreign policy, it would also provide the vehicle for achieving their broader ambitions in international affairs. When this assumption proved wrong, the Japanese were confronted by a serious dilemma. The relationship with the United States was obviously critical and perhaps even indispensable to national security and prosperity. It was also more acceptable than any of the available alternatives, which in each case involved great risk or sacrifice. Nevertheless it was the major cause of their frustration and despair in international affairs.

The Japanese are struggling with the contradictions of this dilemma. They have found no suitable alternative to the relationship with the US, nor have they been able to alter its fundamental character, or overcome its apparent limitations. At the same time, the growing assumption in Japan is that this relationship is perpetuating the nation's secondary status in

international affairs by prolonging the state of dependency on the United States.

Yet this is not to say that Japan has become ungrateful. On the contrary, generous and lavish acknowledgement is often made of the considerable benefits the nation derives from this relationship. But the fact remains that an increasing number of Japanese deeply resent it as an insult to national pride and sovereignty, and consider the present status quo as incompatible with most, and possibly all, of Japan's legitimate and honorable foreign policy aspirations. These Japanese also seem to feel that the continuation of the relationship in its present form only confirms Japan's impotence in international affairs, undermines its efforts to assure its own security with independent policies, and frustrates its historic ambitions for recognition as a major independent power.

Some Japanese even suspect that the United States has deliberately betrayed its commitments and responsibilities to Japan because an independent Japan would conflict with American national interests. These Japanese use this rationale to explain why the United States has seemed to them to frustrate repeated attempts to make the relationship more equitable to both sides. In their view, it is also the reason why Japan has been denied its proper international status and why certain blatant contradictions still exist between the rhetoric and the reality of the Japanese-American relationship.

Theoretically, at least, this was to be a relationship between equals, but instead the Japanese feel they have been

accorded the status of an American dependency. Although Japan is indeed still dependent on the United States for economic, military, and political reasons, they feel their economic achievements deserve greater respect from the United States and the other Powers. But except for those occasions when their support is needed on some international economic or trade matter, they feel ignored. Principally because, they insist, the other major Powers feel Japan lacks the proper credentials for great power status; this is an attitude that simply astounds them and leads them to believe that inscrutability is not an exclusively Asian trait. They cannot quite comprehend why they should, in effect, be penalized for not brandishing significant military or political power, when it is only slightly more than two decades since the war crimes tribunals ended in Tokyo. But they strongly suspect the United States is somehow to blame for their predicament, because it has consistently exploited the relationship with Japan for its own national interests. Undeniably, these suspicions of US motivations were greatly reinforced by the so-called "Nixon Shocks" which seemed, to the Japanese, to confirm the one-sided character of the relationship.

A revealing example of the ambivalent Japanese attitude towards the United States has been provided by the staff of the Asahi Shimbun in their recent book, The Pacific Rivals.

An alarmist can discover crisis wherever he looks, to be sure, but there is justification today for serious concern. In 1971, during the short span of a single year, the Japanese-American relationship was buffeted so severely that even the most complacent observers of international affairs were filled with anxiety. Much of the sense of impending crisis felt by the Japanese is due to

the outdated manner in which the American government persists in regarding them. In its public statements the United States pays lip service to the fact that Japan is now a major world power--a fact, pure and simple, and one that needs neither explanation nor qualification--but its actions contradict its words and frequently relegate Japan to the subordinate position of a lesser partner, always ready to do America's bidding upon command. That the United States can move toward realigning its relations with China without heeding the interests of Japan, the third nation in the critical Far Eastern triangle, is remarkably callous. That it can proceed to take decisive steps to protect its own currency, again with little apparent regard for the Japanese economy with which it is so closely intertwined, is still more appalling....

The Japanese, with their sensitivity to fine hierarchical distinctions, have long resented their subservience to the United States. It is true that they have benefited from the close relationship, but they chafe at the irony that much of Japan's unparalleled economic achievement since the war may be attributed to the instigation and encouragement of the United States. They have turned their subordinate status into a prod, using it to goad themselves to devote their full energies to catching up with America. Viewed by some Japanese as an overpowering colossus, by others as a benevolent employer or patron, the United States has been the dominating presence against which Japan has measured and defined herself. While it has not been her purpose to topple the American giant, Japan has struggled to emerge from its shadow and to achieve an equal footing with it. Now that these goals have been attained, the Japanese are incensed to see their hard-won equality so consistently denied by American actions.*

The older generation of Japanese in government and business would undoubtedly express the views in this passage in more moderate terms, but they would probably not disagree significantly with its basic thesis. In fact, most concerned Japanese, regardless of age and generational bias, seem to feel their nation has fulfilled most or all of its responsibilities to the relationship with the United States, only to be slighted and neglected in return. Yet rarely have the Japanese seriously

*The Pacific Rivals, Tokyo and New York, 1972. pp.313-314.

considered how their own policies were to some extent responsible for the deteriorating state of Japanese-American relations; rarely have they assessed how their own attitudes and actions may have unwittingly helped to create the situation which they later found to be so frustrating and discouraging. The Japanese certainly failed to understand that their relationship with America would not change to their satisfaction unless Japan changed its own approach to the relationship and then actively and vigorously campaigned for the changes it desired.

If the Japanese had been more sensitive to the mood in Washington, they would have realized that the desire for change was equally strong in the United States. But they made no serious attempt to understand the American viewpoint until it became inexorably clear that the United States was determined to change the character of the relationship--with or without Japanese support and approval. This communications problem resulted in part from the inability of the Japanese to recognize that perhaps legitimate grievances existed at the other end of the relationship as well. They could not or would not understand why American officials were constantly saying that the relationship would no longer be a one-way affair and that the time had come for Japan to start reciprocating in kind past support from the United States. To Japanese who sincerely believed that their nation had been taken advantage of and exploited by the United States ever since the Occupation, it was shocking to hear American officials ask in all seriousness, "What has Japan done for us lately?"

The Japanese indicated no real understanding of the basic implications of this changing American attitude until the Tanaka visit to Washington in mid-1973, which was noticeably different in spirit and substance from previous Japanese-American summits. For the first time in nearly half a decade, almost all of the outstanding economic, military, or territorial problems were resolved--at least temporarily--and neither nation was urgently seeking a major compromise or concession from the other. The distinct emphasis of this meeting was not the past or even the present but the future, and in this respect the attitude of Japan was strikingly different. The Prime Minister in his public statements and in the final communique indicated that Japan was willing to depart from its past policies and share the burden with the United States in a number of areas of mutual concern. The clear implication of his statements was that Japan would no longer remain a completely passive partner and recognized that a fair and equitable relationship could only be based on relatively equal contributions from both sides. This point he re-emphasized on a subsequent tour of Europe by saying, "It is necessary for the three industrialized societies of Japan, Western Europe and the United States to work together in constructing a universal open economic order on very strong principles of mutual advantage, mutual commitment, and over-all reciprocity."*

This diplomatic position was virtually unprecedented in postwar Japanese foreign policy. Because of a general assumption

*The New York Times, October 4, 1973, p.13.

that Japan could not afford to acquire overseas political interests, a stubborn refusal to recognize that politics and economics are intimately related, and perhaps even an unwillingness to acknowledge to themselves that at some point Japanese and American interests could seriously diverge, the Japanese decided to avoid any unnecessary exposure to risk by refraining from active independent initiatives and merely following US foreign policy. Thus throughout the postwar period, Japanese foreign policy has invariably been passive, reactive, defensive, and supremely cautious. Only under extreme external or internal pressure, and only in recent years, would the Japanese dare to venture from this set pattern. The most recent and most significant case in point was their reaction to growing tensions and pressures with the United States, when they obviously realized that there was no alternative except to adapt their policy to the changing character of the relationship.

However reassuring this development may be, there still remains the very basic and relevant question of why Japanese foreign policy has been so resistant to change. Some of the possible immediate reasons have been cited above, but because postwar Japanese foreign policy has been so consistent with Japan's traditional approach to international affairs, it seems reasonable to assume that more basic cultural factors are also involved. Perhaps the most important factor of all is the apparently irrepressible feeling of insecurity which seems to dominate modern Japanese history. In the Meiji era, for

example, it was the basic motivating factor in Japan's efforts to achieve relative equality with the West; it then became the basic motivation in Japanese efforts to seize Manchuria and subsequently to fight the United States; and finally, it has been the basic motivating factor in Japan's postwar foreign policy from the day the bombs were dropped on Hiroshima and Nagasaki. These two traumatic events confirmed to all Japanese the vulnerability of their nation to total annihilation. Indeed, no event in Japanese history including the involuntary opening of their nation to the West in the 19th century, has apparently had quite the same effect on the Japanese people. It reaffirmed to them, in the most brutal fashion, the folly of international adventures and the wisdom of a conservative foreign policy that would preserve the nation's assets and protect its vital interests.

Postwar Japanese foreign policy has demonstrated how well the nation learned this lesson. Following the Occupation, Japan adopted a neo-isolationist policy that created the stable, controlled environment absolutely essential to the task of economic reconstruction and rehabilitation. Insecurity remained a dominant influence but instead of functioning as a destructive force it served to stimulate the instinctive competitive drive of the Japanese people to over-achieve. It may have seemed to the rest of the world that Japan was again on the offensive--this time with traders and transistors, not soldiers and tanks. But the Japanese considered it an offensive defense; and recognizing the distinction between the two is critical to understanding the nation's objectives and motivations. Japan was struggling for

its very survival and self-respect, determined to take the route of least resistance and greatest potential. Consequently any concession to external political pressures or any assumption of greater international responsibilities that did not directly serve to promote national development was simply not considered.

To be sure, even in the best of times and circumstances, the Japanese perception of their own national interests and international responsibilities has not been significantly different. Throughout their modern history, the consensus system of decision-making has inhibited the Japanese--individually and collectively--keeping them from accepting greater responsibilities or assuming strong leadership roles. This national characteristic has been accentuated in the postwar era by aversion to risk and uncertainty, and reinforced by a severe lack of self-confidence in their ability to move beyond the economic into the political sphere. A position justified, in their view, by the lingering anti-Japanese prejudice in East Asia, the worldwide resentment against Japanese economic power, and the failure to receive adequate political recognition from the international community. Although there may be a certain degree of validity to this argument, it should still be apparent, even to the Japanese, that these problems will persist as long as Japan refrains from asserting itself in a political context. And indeed the Japanese may recognize this themselves, but it would seem they continue to resist changing their basic approach in international affairs because until recently there was no imperative necessity to increase their international political activity

or to conduct their foreign affairs on the basis of reciprocity. When the external and internal pressures for change intensified, however, to the point of seriously affecting vital national interests, the Japanese revised their policies accordingly.

The Japanese have traditionally reacted to pressures for change by relying on the course of events to dictate their actions. In a characteristically cautious and expedient manner, they deliberately do not attempt to influence the shape of events beforehand, and react to developing situations only after the outcome is evident and a decision impossible to avoid. Major policy changes can therefore appear to be involuntarily and irrevocably determined by forces and pressures beyond Japan's control. This absolves the Japanese themselves of the burden of responsibility for their own decisions. The great advantage of this approach is that it tends to minimize internal policy conflicts because decisions are based on consensus opinions which develop only after a situation has matured and the alternative options have been well clarified. An additional advantage of this approach, in the minds of the Japanese, is that it serves to reduce the margin of error in decision-making by strongly discouraging precipitate or impetuous action. The great disadvantage, however, is that it promotes a conservative and distinctly negative attitude to change in a nation which has prospered throughout its modern history by its ability to accept and accommodate new ideas and conceptions. The result is that Japan has accommodated the outside world with its alien ideas

and innovations only conditionally, and only in times and circumstances of compelling necessity.

Because this contradictory attitude to change has never been successfully resolved, Japan is still today a nation very much in conflict with itself, and indeed with the rest of the world. Its spirit and soul look nostalgically to the past while its mind and energies are passionately engaged in the present, and sometimes the future. Its great industrial corporations explore the frontiers of scientific technology, yet conduct their business affairs in much the same fashion as their predecessors did half a century or more ago. They take great pride in describing themselves as multinational, but in fact the vast majority are still completely home-oriented, unable to adjust to foreign management principles and thus unable to absorb any significant contingent of foreign personnel into top management positions. They realize that change is inevitable, but they have yet to act because the necessity is still not critically urgent.

In politics, the pattern is much the same. Although the present political system is growingly increasingly more irrelevant to the needs of the nation, few changes of any consequence have been made, in part because the generation over 50 dominates a nation in which a growing majority of the population is under 35. The Diet itself exemplifies this deteriorating state of affairs, demonstrating by its performance the sharp contrast between the noble ideals of the postwar democratic Constitution and the often shabby reality of daily political life. Opposition

parties in this national forum do not propose or suggest; by custom and circumstance their principal contribution to the legislative process is to oppose and obstruct. The inevitable effect on the conduct of Japanese national affairs was described recently by Richard Halloran, reporting on the close of the 1973 Diet session.

The session that closed today was the longest in Japan's postwar history, 280 days from its opening on December 22. More important, it was a session that revealed many weaknesses and few strengths in Japanese parliamentary government.

Indeed, it was a session that raised fundamental questions whether the Japanese Parliament, or Diet, can function as an effective legislature and governing body and whether parliamentary government in Japan is sliding into political paralysis.

The session was marked by opposition, boycotts, fistfights, and wrestling in the chambers, the resignation of the former speaker and a Cabinet minister for "slips of the tongue," a variety of opposition stalling tactics and mob threats....

Japan's Parliament, though based on European models and strongly influenced by the Constitution imposed by the Americans during the postwar Occupation, is a political institution far different from those in the West.

Indeed, some political observers have likened it to Kabuki, the highly stylized drama in which the play-acting on the stage only hints at the real-life events behind them.*

Equally unique to Japanese politics and characteristic of the contradictions in Japanese society is the curious role of the Prime Minister. Unlike any of his counterparts in the other major nations, the Japanese Prime Minister is generally no more than an equal among equals, sharing executive power with the other prominent members of the Cabinet. Thus Japan is often accurately described as the only major power in the world that is virtually leaderless and perhaps even directionless, governed

*Richard Halloran, "Chaotic Session Raises Doubts about Japan's Legislative Body," The New York Times, September 28, 1973.

in effect by committee rule. This established fact raises the intriguing question whether any modern, energetic, powerful, restless, volatile nation such as Japan can thrive for long under these conditions without suffering some seriously adverse effects.

Certainly in foreign affairs, the effects of Japan's perpetual conflict with itself have long been painfully evident. The feeling of insularity, for example, is still so strong that Japan has never quite seemed to reconcile itself to the necessity of foreign relations, or for that matter, to its kinship with the rest of East Asia. So more than a century after the Meiji Restoration, Japan remains a relatively insulated and isolated nation, uncomfortable with any strong foreign presence or influence at home, and unable or unwilling to project itself abroad. The reason for this, it would seem, is that the Japanese continue to be such a highly introspective and self-centered people that they have arrogantly assumed the burden of responsibility for better understanding was not on themselves but on their allies and trading partners. Although this attitude is beginning to change in response to extreme pressures from abroad, Japanese traders are still inexcusably rude and arrogant in the less-developed nations, especially in Southeast Asia, yet invariably polite and courteous in the affluent, developed nations of the world--an apparent inconsistency that can only be accounted for by Japan's highly developed sense of hierarchy. In Southeast Asia where they are clearly the more advanced and dominant power, arrogance becomes an affordable indulgence; while in Europe and the United States where they are clearly in a subordinate and dependent

position they are obliged to show proper respect.

Thus also, the Japanese have always been reluctant to acknowledge their association with East Asia, preferring instead to emphasize their growing equality with the West. Yet in trying to compete with the West, without disavowing their cultural heritage, they inevitably created a serious internal conflict arising from the basic incompatibility of Japanese and Western cultures. They had hoped that by a certain degree of accommodation and comparable achievement with the West, they would be able to protect their society against disorienting foreign influences. They miscalculated on several counts, not realizing that once the barrier of isolation had been broken, controlling the traffic in ideas as well as technology would be extraordinarily difficult. As Edmund Stillman and William Pfaff have written of the attitudes of the Meiji reformers:

The Japanese reformers had no illusions about their relative weakness in the modern world. But while their acts of reform and industrialization were rationally calculated to forestall the Western threat, it is not quite true that their strategy of transforming Japan was taken up without a measure of that disorientation and cultural insecurity which elsewhere in Asia resulted from the Western intrusion. Japan was inured by centuries to cultural borrowing, and it was, even more, a postfeudal society; like Europe, Japanese society was plural rather than centralized. But despite this Japanese history and the deliberateness of the nineteenth-century reforms, for the first two decades after the Meiji Restoration, westernization in Japan was indiscriminately sought after.... It must be understood that while the Japanese were determined to make themselves into an Asian power capable of dealing on even terms with the West, they also--as their erratic national conduct in the nineteenth and early twentieth centuries also demonstrated--wanted, hazily, to make themselves Europeans; in the modern language of race relations they wanted to "pass".

Yet the failure of cultural confidence was not deep enough to affect the core of the Japanese elite's belief

in their own standards, identity, and destiny, and the failure did not erode Japanese society itself--possibly because Japan itself was not invaded. The Japanese reformers chose to combine their drive for Western knowledge with a deliberate revival (and distortion) of half-abandoned traditions and an archaic cult of nationality....

No simple explanation is possible of what was happening in Japan. The nation suffered a grievously divided mind; it admired the new, the chic, the Western, and yet it hated the West.... This wholly anti-European spirit would come to dominate the policies of the 1930's; but the Japanese would also adopt an imperialism that was frankly western in its inspiration, and which made the same presumptions of manifest destiny, racial exclusiveness, and the right to rule inferiors that had made the Europeans so mortally offensive to Asians. Japan did indeed seek to pass; and the constant effort of Japanese reform, as of Japanese diplomacy, was to obtain a diplomatic and military concert of great powers that admitted Japanese equality with the West. Precisely in that equality, the nineteenth-century Japanese asserted, lay Japan's difference from and superiority over any other Asian state. The demand was not merely freedom, but to be accepted as a fellow imperialist power, indeed as an imperialist with special rights in North Asia. For Japan, then, as the one Asian society which had made a brilliant success of its response to the Western intrusion, an answer was found in disassociation from Asia as a whole, and in a preying upon other Asians.*

Japan's unique agony should be evident. It is an Asian nation in conflict with its cultural heritage. It is still, in many respects, a traditional society trying to reform. It is an insular nation trying to become more outgoing. It is a major power, yet it is still insecure and without political recognition. It is a highly nationalistic nation, but it is also a nation undergoing a prolonged crisis of identity. And it is a supremely arrogant nation, even though it is a nation still lacking basic self-confidence in its own objectives, direction,

*Edmund Stillman and William Pfaff, The Politics of Hysteria, New York, 1964.

and future prospects. Thus Japan is a nation that has succeeded in some respects and yet failed in others, creating a sense of frustration and confusion which has tended to intensify the nation's insecurity, increase its aversion to risk, reinforce its nationalism as well as its suspicion of all foreign nations, and introduce an even greater element of uncertainty into the national decision-making process.

PART II

HISTORICAL PATTERNS OF JAPANESE
FOREIGN RELATIONS

HISTORICAL PATTERNS OF JAPANESE FOREIGN RELATIONS

Perhaps the most formative period in modern Japanese foreign relations was the latter part of the 19th Century, when the nation's self-imposed isolation was rudely ended by the forceful intrusion of the Western Powers. Their unwelcome presence in the region provided the Japanese with a thoroughly convincing demonstration of their own ignorance and inferiority to the more advanced Western World. Humiliated by this experience and unwilling to remain indefinitely subordinate to any foreign political and cultural influence, the Japanese quickly resolved to thoroughly modernize their society within the framework of traditional Japanese culture and regain national honor by restoring a more equitable balance of power with the Western imperialists. This was to be achieved through the pursuit of several basic objectives: revocation of the unequal treaties; security of the nation from foreign attack or encroachment; political, military, and economic equality with the West; recognition by the West as a full equal. The first objective was achieved by the turn of the century, while the latter three have continued to dominate and govern Japanese foreign relations for the past hundred years.

The initial strategy for achieving these objectives was economic growth and development, which was considered basic to any future development of political or military power. This strategy was also considered advantageous because it involved a low-risk factor in terms of avoiding conflict with the Western Powers, it capitalized on the nation's strengths, and it compensated for its weaknesses. Moreover, it seemed to be the most practical and

effective method for achieving a degree of equality with the West, abolishing unequal treaties, and diverting national interest from overseas adventures.

However this attempt to divert national attention and energies to more peaceful pursuits succeeded only for a time. By the early 1870s there was already significant pressure for a campaign in Korea, pressure so great that it was overcome only after a major political crisis in the national Government. This settled the issue for the next twenty years until growing prosperity, increasing nationalism, concern over national security, and strong resentment against the Western Powers combined to force the Government in the 1890s to assume a more active role in Asian affairs.

Economic growth in the meantime had been substantial. Japan was first introduced to the railroad, the telegraph, even the game of baseball during this time as part of the effort by the nation's leadership to adopt the best to be found in the Western world. Agriculture still remained the basic occupation of most of the population, but industrialization progressed significantly with the direct support and assistance of the central Government. This official intervention and subsidization of the industrialization process was indispensable since the relatively small merchant class clearly lacked the funds to finance the needed industrial plant. Within twenty years or so, however, the Government was financially exhausted by its responsibilities in this area and gradually began to dispose of its industrial assets to a new class of wealthy entrepreneurs who had emerged in the interim since the fall of the Tokugawa. Prominent among this group was the Mitsui family, one of the few great merchant

families of the Tokugawa period, and a former Tosa samurai, Iwasaki Yataro, who founded the house of Mitsubishi. These and other members of the group continued to develop the industrial capabilities of the nation and began to develop the production capacity for the manufacture of armaments; a sector of the economy which first experienced major growth during the last decade of the century, in the period spanning the Sino-Japanese and Russo-Japanese wars.

Progress in economic development was paralleled, and to a certain extent resulted in increasing nationalistic feeling among the influential factions in the elite class, which inevitably created even greater pressures on the Government to become more active internationally. In the ensuing debate over foreign policy, the various alternatives considered would not have been entirely unfamiliar to a Japanese politician of the present day. One example of the discussion at the time was an essay entitled, "Three Drunkards' Discussion on National Government," written in 1887:

The drunkards represent three divergent views on national affairs. One asserts an outright expansionism; Japan should attack China, capture its rich resources, and use them to achieve military and economic strength. The second takes the opposite view; Japan should curtail its armament, persist in a peaceful policy, and concentrate its energy internally, in order to create a truly democratic country. The third view is a compromise between the two; the nation should tread a cautious path, realistically responding to each developing situation, with a view ultimately to creating a constitutional regime at home. One factor common to all three viewpoints is the absence of a moralistic picture of international politics. They differ on how Japan should behave in an immoral world, not on whether the world is immoral or not. Some would stand aloof from it, others would actively join the game, while still others would take an opportunistic course. The third was obviously the policy followed by

the government, and the other two may be considered reactions to official policy. Though they are diametrically opposed to each other, they share the belief that Japan should act independently of other countries, instead of timidly following their lead.*

While the Government favored the more cautious and pragmatic approach, it was also convinced that any effective policy would have to dissociate Japan from Asia and create the image of a Japan more accustomed to following Western patterns of action. As long as Japan was considered a typical Asian nation, the Japanese leadership was convinced that the nation would continue to be regarded as backward, cruel, superstitious and weak by the Western Powers. Accordingly, the Japanese decided that they would have to adopt an attitude similar to that of the Western Powers in dealing with the Asian states and join the Western Powers in seeking colonial empire on the Chinese mainland. To an extent, this was only the rationalization of a traditional desire (evidenced throughout Japanese history, but particularly in the 1870s, as noted above) for hegemony over certain areas of the Chinese mainland, such as Korea and Manchuria, as a guarantee of Japanese national security. It was also indicative of Japan's growing self-confidence in its ability to restore a more satisfactory balance of power with the Western nations. In fact, from the very beginning of Western expansion into the Far East, the Japanese had resolved, perhaps unwittingly at first, to rid the region of the Western Powers or at least to

* Akira Iriye, Across the Pacific, New York, 1967. Pp 67-68.

equalize the balance of power. These motivations were quite basic to a people oriented to a hierarchical view of domestic and international society, and driven by an irresistible urge to occupy a superior, indeed a dominant, position in the region. Masao Murayama of Tokyo University attributes this Japanese characteristic to what he describes as the "transfer of oppression".

With the emergence of our country on the world stage the principle of 'transfer of oppression' was extended to the international plane. This can be seen in the campaign in favour of invading Korea, which flared up directly after the Restoration, and in the subsequent dispatch of troops to Formosa. Since the latter part of the Tokugawa Period Japan had never ceased to be conscious of the close and heavy pressure of the Great Powers, and as soon as the country was unified it used its new strength to stage a small-scale imitation of Western imperialism. Just as Japan was subject to pressure from the Great Powers, so she would apply pressure to still weaker countries--a clear case of the transfer psychology....

Within Japan the standard of values is relative proximity to the central entity; by extending this logic to cover the entire world, the ultra-nationalists engendered a policy of 'causing all the nations to occupy their respective positions (vis-a-vis Japan)'. Japan, 'the suzerain country', placed each other country in an order that was based on social status. Once this order was secured there would be peace throughout the world. As one ultra-nationalist writer expressed it, 'The meaning of world history is that the august virtue of His Majesty should shine on all the nations of the world. This will indubitably be accomplished as a manifestation of the martial virtues of the Empire.'

In such a scheme, where everything is based on the idea of an absolute central entity, there is no room for a concept like international law, which is equally binding on all nations....

The fact of being 'coeval with heaven and earth' guaranteed the indefinite expansion of the range in which the ultimate value was valid, and conversely the expansion of the 'martial virtues of the Empire' reinforced the absolute nature of the central value. This process spiralled upwards from the time of the Sino-Japanese and Russo-Japanese Wars, through the China Incident and until the Pacific War. August 15, 1945, the day that put a period to Japanese imperialism, was also the day when the 'national polity', which had been the foundation of the entire ultra-nationalist structure, lost its absolute quality.

Now for the first time the Japanese people, who until then had been mere objects, became free subjects and the destiny of this 'national polity' was committed to their own hands.*

Initially the Japanese approach was relatively cautious and pragmatic, reflecting their desire to cooperate with the Western Powers and support the status quo. Implicit in such support was the assumption that Japan would be able to share in some of the benefits of imperialism, and would receive adequate recognition as an equal of the Western Powers. The Japanese felt they had earned such recognition by virtue of their impressive victories in the Sino-Japanese and Russo-Japanese Wars. Yet they became increasingly discontented with the reaction of the Western Powers, especially after the war with Russia in 1904-05. The Western Powers, it was felt, refused to accept Japan as an equal even though Japan had conscientiously played the game strictly by the rules.

Much of the blame for Japan's frustrations was attributed to the United States, even though the Soviet Union was still considered the nation's most probable enemy. The reasons included growing racial tension on the West Coast against further Japanese immigration and a U.S. policy in China that was regarded in Tokyo as unfair and unjustified. Since the United States had assumed control of the major Pacific islands-- notably Hawaii, Wake, Guam, and the Philippines--without challenge from Japan, the Japanese felt the United States should

* Masao Murayama, Thought and Behavior in Modern Japanese Politics, Oxford University Press, London, 1973. Pp 18, 20-21

reciprocate by not interfering in Japan's expansionist efforts on the Mainland. Whatever the merits of that argument, political tensions continued to increase despite rapidly growing economic ties between the two nations. By the second decade of the new century, for example, roughly one-third of Japan's exports were being shipped to the United States while at the same time American finance capital was becoming a major factor in the Japanese economy. In subsequent years, bilateral economic relations continued to be strong, but clearly not strong enough to counteract increasing political differences. Indeed the conflict between the political and economic interests of the two nations was to remain a prominent characteristic of the relationship until the outbreak of war.

These growing differences with the United States and other Western Powers created new uncertainty in Japan about a viable national security policy. A minority began to question the value of great power status for Japan and recommend a more passive foreign policy. One Japanese political writer of the time is reported by Akira Iriye to have argued as follows:

The stronger Japan grew, the greater would be its sense of insecurity because of the increased suspicion of Japan by other nations. The only way for the Japanese to find true security and contentment was to renounce expansionism and devote themselves to the cause of peace.*

Nevertheless the majority as represented by the Japanese leadership were unwilling to modify Japan's basic foreign policy objectives.

*Iriye, p. 113

Before 1912 few visualized direct confrontation with the United States in China. Russia remained the most likely enemy in Japanese strategy. For the civilian government in Tokyo, Japanese-American relations were still primarily economic. America was an ever-expanding market for Japanese silks and an increasingly important supplier of capital. Nevertheless, there steadily grew an awareness that the policies of the two countries might not be entirely compatible in Asia. To a nation already bewildered by racial prejudice abroad and inclined to a defensive pan-Asianism, American policy in China seemed all the more to confirm the fear of Japanese-American conflict. The United States seemed more and more interested in championing China's cause against Japan. As a writer put it, 'China today is trying to use America...If the situation continues, there will develop a crisis between the United States and China on one hand and Japan on the other...Japan should naturally insist on the status quo, based on its legal and treaty rights.'^{*}

The Japanese military was so committed to this viewpoint that it began drafting the first contingency plans for a possible future naval conflict with the United States before 1910. These efforts were intensified with the outbreak of World War I and then subsequently the Russian Revolution since the military believed that both events would force the Russians and the European Powers to concentrate on higher priority issues closer to home. This would leave only the United States with the political interest or the military power to oppose Japanese efforts in China.

A contrasting viewpoint could be found among the Japanese political leadership which continued to hope that an acceptable political reconciliation with the United States on the China Problem could still be achieved. Yet over a period of time

*Iriye, p. 117

extending into the Thirties, the Japanese leadership gradually persuaded itself that the United States, in particular, and the Western Powers, in general, were not prepared to accept Japan as an equal or to recognize what Japan considered its vital interests on the Chinese Mainland. Given this intolerable situation, the Japanese reluctantly concluded that their nation had no alternative but to proceed alone in China.

The fate of China itself was never of great importance to the Japanese-American dispute except as it affected the balance of power in the Pacific. Before the late Twenties and early Thirties, in fact, the United States had never committed itself politically to any of the Chinese factions, nor had it indicated any consistently strong desire to help restore political stability in the country. U.S. interests in China were basically commercial and its diplomatic policy was consequently oriented to protecting American economic interests and preventing any other Power from gaining a dominant position that would threaten these interests or undermine the existing status quo. U.S. strategic interests in China were served equally well by this policy. A stable balance of power in which no other nation held a superior or dominant position on the Mainland was considered absolutely essential to the security of the Philippines and other American island possessions. Japan's effort to expand its presence on the Mainland was therefore considered a direct threat to the U.S. position in the Pacific and the prevailing balance of power. Yet Japan was equally insistent that its security could not be assured until its presence on the Mainland was sufficiently strong to prevent any other Power from using

China as a base for threatening the Japanese islands. As the period between the outbreak of World War I and the attack on Pearl Harbor demonstrated, the dispute could only be resolved by war.

The possibility of armed conflict with Japan was not entirely unforeseen by the U.S. military. The first reference in U.S. naval writings to Japan as a potential naval rival dates back to the turn of the century, while the first contingency plans for a war with Japan were drafted shortly after the Russo-Japanese War in 1905 or about the same time similar plans were being drafted in Tokyo. There were several other interesting parallels between the two countries. Both had become major factors in the Pacific about the same time. Japan in the Sino-Japanese War of 1894-95 and the United States with the acquisition of the Philippines in 1898. Both were also relative newcomers to the game of power politics but equally interested for differing reasons in expanding their international presence and influence. Since both nations concentrated their activities in the Pacific, a conflict of interests was practically inevitable--especially after the European Powers and Russia became increasingly preoccupied with their own domestic and regional problems. The active presence of these powers in China had been the foundation of the balance of power for the region, but their diversion elsewhere created the necessary conditions for a direct confrontation between the Japanese and the Americans.

The confrontation ultimately erupted into war, for a number of reasons basic to the Japanese national character. A major factor was Japan's profound sense of insecurity which had been

aroused by the lack of recognition from the other Powers, the perceived threats from these powers to Japanese national security, and the strong racial prejudice against Japanese in the United States. All of these developments revived the persistent arguments about the incompatibility of the East and West, the inevitability of East-West conflict, and the historic obligation of Japan to defend Asia against the Western intruders. This Pan-Asian ideology was particularly attractive to an intensely nationalistic people convinced they were threatened by the West and determined to respond with forceful, independent action in spite of the greater risks involved. That the possible end result, namely self-destructive war, was less important to Japan than the basic principles involved was characteristic of traditional Japanese reasoning.

A classic example of such reasoning is the rationalization used to explain the need to expand on the Chinese Mainland. Initially driven to the Mainland by their obsession with insecurity and recognition, most Japanese failed to understand that their nation's quest for more territory was aggravating the condition rather than remedying it; that each successive expansionist move on the Mainland was only arousing the fears of the other Powers about Japanese objectives, which in turn incited even greater insecurity in Japan. Misinterpreting the Western reaction, the Japanese also failed to understand that a solution to the problem was not greater expansion or aggressiveness but more thoughtful moderation. True, the Japanese did cooperate with the Western Powers and did play the imperialist game to an extent and for a period of time by the

rules. Yet it is also true that Japanese foreign policy was both paranoid and schizophrenic.

On one level, the Japanese were pursuing what they considered to be a moderate policy in China, while on another level it can be argued that their pervasive insecurity propelled them into two wars within the period of a decade, as well as frequent confrontations with the other imperialist Powers. For a significant period of time, these two divergent, contradictory impulses were kept under control--to an extent by uncertainty and insecurity--until inevitably the internal tensions reached the point where a definitive choice became unavoidable. To the Japanese, the orientation to a more aggressive policy was justified by the injustice and unfairness of the West in its relations with Japan. National honor and self-respect had suffered as a result, the Japanese maintained, and that was clearly the critical issue to them.

Rarely, however, did the Japanese concede their own mistakes or recognize the fundamental problem created by their self-centered attitude towards international relations. But then again, how could they? They were so obsessed with their own weaknesses and vulnerabilities that there was no incentive or opportunity to develop beyond a tribalistic approach towards the rest of the world in which every relationship could only be seen in terms of "we" and "they".

In commenting on some of these same aspects of the Japanese national psychology, Ruth Benedict has written:

For in Japan the constant goal is honor. It is necessary to command respect. The means one uses to that end are tools one takes up and then lays aside as cir-

cumstances dictate. When situations change, the Japanese can change their bearings and set themselves on a new course. Changing does not appear to them the moral issue that it does to Westerners....

The Japanese derive their aggression in a different way. They need terribly to be respected in the world. They saw that military might had earned great respect for great nations and they embarked on a course to equal them. They had to out-Herod Herod because their resources were slight and their technology was primitive. When they failed in their great effort it meant to them that aggression was not the road to honor after all. Giri had always meant equally the use of aggression or the observance of respect relations, and in defeat the Japanese turned from one to the other, apparently with no sense of psychic violence to themselves. The goal is still their good name....

At present the Japanese know militarism as a light that failed. They will watch to see whether it has also failed in other nations of the world. If it has not, Japan can relight her own warlike ardor and show how well she can contribute. If it has failed elsewhere, Japan can set herself to prove how well she has learned the lesson that imperialistic dynastic enterprises are no road to honor.*

There are several other observations suggested by this overview of Japanese foreign relations prior to World War II. The Japanese have traditionally tried to compete with the West in the economic and commercial sector in the belief that this was the one area where their prospects were best for achieving equality with the West. The emphasis on economic development in recent years is consistent with that pattern and exemplifies the national compulsion to compensate for a sense of insecurity through extraordinary accomplishment. It is also indicative of Japan's unusual ability to shift tactics without guilt or embarrassment in the pursuit of national honor and respectability.

* Ruth Benedict, The Chrysanthemum and the Sword, Meridian Book Edition, New York, 1971. Pp. 171, 173, 316.

Thus when the policy of military expansionism utterly failed, the nation smoothly reverted to its initial strategy of competing with the West on economic terms. The same process occurred when the Japanese shifted from an ostensible policy of cooperating with the Western Powers to a policy of independent, often radical action. One other aspect of Japan's economic development worthy of note is that the precedent for extensive government involvement in the economy dates back to the Meiji period and as such represents a continuation of a hundred-year-old tradition.

In reviewing the foreign policy debates that occurred in Japan between 1880-1920, the striking similarity of those debates to contemporary discussion in Japan is readily apparent. This is especially true as the open discussion of conventional and nuclear rearmament becomes more common in Japan today. What this seems to suggest is that uncertainty still prevails in Japan today--as it did in the earlier days--on an effective foreign policy and that the nation is likely to continue experimenting and exploring alternative policies. It also seems to suggest that in the past hundred years, Japan has yet to develop a basic policy that would satisfy its need for national honor and international status while calming its anxieties and fears. Indeed this overview of Japanese foreign policy makes it apparent that Japan has never been at peace with itself or its neighbors in terms of its foreign policy--a condition which seems to have persisted to the present day. One consequence of this is that Japan has traditionally preferred to operate alone, with only temporary alliances with other Powers, precisely because of its historic inability to develop a foreign policy that would encourage stable relations with other nations.

That is surely one major reason why the Japanese have been so sensitive to the recent criticism directed against them from the United States, Europe, and especially Southeast Asia.

The relationship with the United States has been one of the more durable relationships in recent Japanese history. Economic ties between the two countries have traditionally been strong. But so has the bilateral rivalry which prevailed before 1941 over the economic aspect of the relationship, even though most knowledgeable Japanese of the time recognized the importance of the economic relationship to their country. The reason was that the Japanese were clearly more concerned with questions of national honor and national security than with more mundane matters such as profits and growth. Thus far no similar conflict between radically divergent interests has appeared, but it should be noted that in the context of present day Japan the economy and foreign trade have acquired an importance formerly assumed by Japan's political-military objectives on the Chinese Mainland.

Perhaps the most important lesson of the past is that basic Japanese national objectives are not likely to change. Nor is it probable that Japan's competitive instinct or its drive for major power status will easily disappear. Quite to the contrary, there is every indication that Japan's basic national characteristics and objectives have remained unchanged. The traditional lack of confidence and sense of insecurity still obviously exist, as evidenced by the fact that Japanese foreign policy and initiatives in the postwar era have been cautious to an extreme. At the same time, the desire for international status and recognition while muted is still visible and evident. In fact, even Japan's

position in the trade talks is consistent with its traditional approach to any issue considered vital to national security. To confirm that point, compare Japan's approach to the China Problem before World War II to its approach to the problem of trade and investment liberalization in the postwar era and its reluctance to compromise becomes somewhat more comprehensible.

Another significant recurring pattern is that the Japanese are beginning to manifest serious discontent with their secondary role in international affairs and with their treatment by the major Powers, particularly the United States. A most recent example of this was provided by Tomisaburo Hashimoto, a political confidant of Prime Minister Tanaka, and currently Secretary General of the L.D.P. In what was described by the New York Times on February 23, 1973 as one of the strongest statements yet by a Japanese political leader, Hashimoto denounced the world's major powers for "excluding Japan from important international councils, including the conference on Vietnam...." Hashimoto said further that "in the process of problem solving, I do not remember any case in which we were properly consulted," adding with some fervor that Japan should be given the political recognition due her as a leading economic power and that she should be "invited" to participate in international conferences of the major powers. He then dismissed a question about whether Japan was entitled to such political recognition as "irrelevant" while complaining that during the recent monetary crisis "Japan was forced to become an outsider. That may not be valid but this is the feeling we have." Hashimoto reiterated that Japan felt she deserved a permanent seat in the U.N. Security Council and said,

"If Japan is going to be isolated, that is not good for peace, for economics or the politics of the world."

In this extremely interesting statement, Mr. Hashimoto evoked many of the same themes and cited many of the same complaints heard some fifty or sixty years ago in Japan. He also confirmed once again that Japan's basic objectives and instinctive fears are still a dominating influence on the nation. So that even at this late date in its modern history, Japan is still seeking national honor through great power status and international recognition while still feeling insecure, mistreated, and ignored.

The inevitable question then is whether the pattern will repeat itself to the extent that Japan will make still another major change in its foreign policy orientation. The concrete evidence thus far is still unclear. For example, frequent statements by such Japanese personalities as Nakasone belittling the United States as an increasingly weaker power are essentially multi-purpose. Attacking the United States is certainly useful for domestic political purposes, but it is also a means of expressing Japan's view that the balance of power at least in the economic sense has irrevocably changed. Additionally, such attacks help to create the rationale for an eventual weakening of the alliance with the United States or perhaps a future political-economic rivalry with the United States. On the other hand, it may even represent an attempt by Japan to say in effect that since Japan is now stronger and the United States weaker, the U.S. has a greater responsibility to reform its approach towards Japan if the relationship is to continue to be strong.

Despite these critical statements, the Japanese are likely

to move cautiously. They are far more vulnerable today to any radical disruptions of their foreign political-economic relationships than ever before. Moreover, the Japanese are beginning to gain a greater appreciation of their vulnerability as a result of the growing economic nationalism in such important supplier countries as Australia and Thailand and in such major markets as Europe and the United States.

One response to this trend as well as to the increasing domestic problems of the country has been a more serious consideration of the advantages of moderating Japan's economic growth in order to reduce the nation's dependence on foreign trade and gain time to attack many of the nation's chronic urban problems. This is somewhat in contrast to previous prevailing patterns of action. When faced with opposition in the past, Japan has felt compelled to pursue its objectives even more forcefully and directly than before. But whether that is a serious possibility in the future is one of many questions that will be explored in detail in subsequent papers for this project.

G.H. Wittman, Inc.

April, 1973

C.A.A.

INTRODUCTION TO JAPANESE INTERNATIONAL BUSINESS STRATEGIES

Sony, Panasonic, Datsun, Mitsui and the others have contributed more to Japan than merely ever-increasing foreign exchange earnings. Their great commercial success has helped create a certain mystique about Japan's competitive abilities in the international marketplace that has often tended to discourage any realistic appraisal of the nation's economic strengths and weaknesses. Indeed, there seems to be a widespread belief that Japan's economic juggernaut is virtually invincible and irresistible because of the ability of Japanese corporations in essence to do what no one else has been able to do. That Japan has been forced by circumstance to make a virtue of necessity is frequently overlooked in this context by Europeans and Americans alike.

The Japanese mystique is probably strongest in Europe, where the fear of an economic invasion from the East has generated despair even in the land of the mighty Deutschemark. "'What bothers our manufacturers,' a German textile executive was quoted as saying, 'is that it's not really a matter of Japanese competitiveness but a maze of impenetrable government supports and subsidies. Our people feel that whatever they do, the Japanese will just lower their prices.' A German department store executive added, 'Every time there's a knock on the door, I expect a Japanese salesman to be there.'"

* Time, August 21, 1972.

To understand why the Japanese appear to overwhelm their most resourceful competitors, some consideration must be given to a few basic geographical and historical facts. As the Japanese themselves have noted practically ad nauseam, their own country is virtually barren of natural resources and Japanese businessmen until quite recently never have had the luxury of a substantial, affluent domestic market. Consequently the Japanese have always been forced to trade to survive, making their money largely by exporting manufactured goods or processed raw materials imported from abroad. This has been particularly characteristic of the Japanese economy since World War II.

Ironically, Japanese economic growth achieved its greatest momentum during this period. The postwar Yoshida Government committed the nation to the principle that rapid economic growth--not military power--was the only foundation on which to rebuild national strength, and then proceeded to turn the devastation of defeat from a liability into an asset. Helped significantly by the economic opportunities offered by the Korean War, the Japanese were able to construct a modern, efficient industrial base while the United States was still burdened with many facilities that were being gradually outdated--a difference that was to become increasingly significant as time passed. For the most part, American corporations felt secure enough in the domestic American market to postpone many capital investments in the interest of increasing corporate profits. Japanese corporations, however, were compelled to make major capital investments as the only

means of achieving a respectable volume and market share in major foreign markets, especially the United States.

The Japanese Government was a critically important force throughout the developmental process. It helped create the consensus on economic objectives for the nation and possessed the power to ensure that Japanese industry focused its energies in the proper direction, primarily through its control over investment capital, foreign exchange, and tariff regulations. Characteristic of the overall economic developmental strategy, these regulations were generally designed to protect the nation's economic future rather than its past. Thus once the domestic steel industry had been developed to the point where it could compete effectively in the international market, that sector of the economy was liberalized without fear that foreign imports would overwhelm the domestic product. The development of the automobile industry conformed to approximately the same pattern, and the computer industry is soon to follow.

Until 1971 or 1972, the Japanese Government was effectively able to control the foreign economic presence in Japan so that it was primarily beneficial to Japanese industry either in the form of limited joint ventures or licensing agreements. Additionally, the Government was able to exercise some guidance over the foreign activities of Japanese corporations through a number of controls on foreign exchange movement. In many cases, the Government exercised its powers in this area to prevent Japanese corporations from moving abroad with new products before their competitiveness

was assured.

The whole spectrum of Government-business interaction has been somewhat inaccurately described as "Japan, Inc.". Certainly, cooperation and interaction between the two areas has been extensive and intimate but it has not always been without friction or disagreements. The recent textile problem was perhaps the greatest example of a basic divergence of interests between the Government and business. Nevertheless the system has worked well enough to allow the Government to fine tune the economy and provide a controlled, protected environment in which Japanese industry could develop unmolested by potential foreign competitors.

Besides the indomitable Government influence, several other factors were also greatly influential in the growth of Japanese industry. Reference has already been made to the new industrial plant the Japanese were forced to build in the postwar period as well as the persistent necessity to trade in order to survive. Equally important, perhaps, was the availability of a large, skilled, relatively cheap labor force and the extremely favorable exchange rate of the Yen. At the same time, Japanese industry was able to enjoy the best of both worlds in its relationship with foreign industry. On one hand it was protected from excessive foreign competition by the stiff tariff laws, while on the other it was able to acquire at bargain prices abundant foreign technology. U.S. industry, in particular, was prepared to sell some of its technology in the Fifties on what now appears to be very advantageous terms for several reasons: it assigned minimal importance to

licensing agreements as an income mechanism, it miscalculated the possibility of using licensing agreements as a means of penetrating the Japanese market, it considered Japan a small, secondary market incapable of ever threatening American economic superiority, and simply underestimated Japan's economic potential.

The Japanese, of course, exploited the situation to the fullest extent. Matsushita, for example, "obtained most of its postwar technology through a joint venture with Philips of Holland that began in 1952; the tie-up provided access to much of RCA's patented know-how. 'We made full use of foreign technology for our rapid growth,' says Executive Vice President Tetsujiro Nakao, who supervises the sixteen corporate research laboratories. 'Now we have come to a stage where we must create more of our own.'"

The case of Matsushita is typical of Japan's attitude to international economic competition. The Japanese approached the problem as though they were guerilla fighters waging an insurgency. They exploited any advantage, any asset they possessed without shame or embarrassment and probed constantly for vulnerabilities among their opponents. This is surely one reason why they have one of the best economic intelligence systems in the world. They also used and sometimes stole foreign technology; then they sold their products at the highest possible prices at home and at the cheapest possible prices abroad. Moreover, they understood that the margin for error was small--as is the case with any insurgent

* "A Japanese Champion Fights to Stay on Top," Fortune, December, 1972.

group operating with comparatively limited resources facing tough opposition--and they were clever enough to make very few mistakes indeed.

Only those products which were likely to penetrate the major foreign markets were permitted to be exported, while those products which were not competitive stayed at home. The steel industry, for example, operated from a far more modern plant than its counterpart in the United States and benefited from a stable labor situation. It triumphed overseas. The automobile industry had many of the same advantages, in addition to producing a product line that Detroit had largely ignored. Yet it failed at great cost in penetrating the American market the first time around in the early Sixties essentially because of poor organization and ineffective marketing. It then retreated for several years back to Japan where it healed its wounds and studied its mistakes until it felt sufficiently confident to try again--the second time successfully.

The electronics industry was able to exploit relatively cheap labor and the weakness of its American counterpart in penetrating the American market. Many of the American companies in the consumer electronics business were lethargic, unimaginative; some were only operating at the break-even point. For the Japanese, however, the move into consumer electronics was a natural, instinctive step. This was an area where the Japanese had long had a capability, reinforced by the competitive edge of the Far East in the production of transistors. Additionally, consumer

electronics was an almost perfect outlet for Japan's genius for improving on an already existing technology.

In each of these examples, a consistent pattern seems to be evident. Japan has moved abroad only with its most attractive and competitive products and then only into areas where the opposition was clearly inferior. True, it owes much to the aggressiveness of its salesmen, but then again being the underdog has curiously had its advantages. The nation could not move abruptly or without careful planning. Nor did it have the ability to engage in an all-out confrontation. Of sheer necessity, it was forced initially to search out the vulnerabilities of its opponents and then direct its efforts specifically at those vulnerabilities. Only after its position was established could it broaden its scope and intensify its attack. The consumer electronics industry provides an excellent example of this. At first, the Japanese tried to penetrate the market with a competent product priced competitively with its opposition. Once that phase was completed the Japanese could expand their product line in the medium price levels. With the success of that effort, the Japanese had the base on which to move into the higher priced components, an area which they could not dominate but still a highly lucrative area where they could compete for a respectable share of the market.

Because of the momentum generated by their aggressive strategy, and because of the inescapable need to penetrate the market, Japanese companies had a greater incentive than their American counterparts to produce a superior product for the price.

Unlike Zenith, RCA, Westinghouse, or GE, the Japanese companies were not nearly as diversified, prosperous, or bureaucratic. They were psychologically and bureaucratically oriented to innovation and improvisation, while their more established competitors were somewhat complacent, less sensitive to the need for imaginative change, and often preoccupied with other areas of endeavor. In the final analysis, these differences in circumstance and attitude may have been the fundamental reasons for Japan's success.

What new areas for export Japan will explore next is one of the major unanswered questions in the nation's economic future. The electronics industry has so far not produced any major new technological breakthroughs, although a tremendous investment is being made in this area. Some reports suggest that the Japanese are preparing their battle plans for an assault on the American computer market. But it is unlikely that the Japanese will attempt to compete in any aspect of the computer market where IBM*, Control Data, or Honeywell is vigorously active. Judging from their past performances in other fields, the Japanese will carefully survey the market till they find an area where the local competition is weak and where the risks are tolerable. When that target of opportunity is pinpointed, the Japanese computer com-

* IBM is not only the largest computer company in the United States, it also remains by a substantial margin the largest such company in Japan, to the endless frustration of its local counterparts.

panies will lavish all of their prodigious talents on producing a competitive product and persuading the government of its prospects for success. By all indications, the Japanese are making an equally intensive effort in lasers, with some thirty firms in all reportedly involved, and breakthroughs in this area are quite possible in the near term future. This is one of the few high technology areas where the Japanese seem to have some prospects for achieving a degree of equality with the United States and where there is a significant national security incentive for developing a capability.

In each of these various advanced technological areas, no major commitment is made until some consensus has been reached with the Government and other concerned elements of the business community on the need for development and the prospects of commercial success for the product. Yet once this consensus has been reached, the herd instinct generally takes effect and the field is quickly filled with potential competitors, many of whom are eliminated in the struggle for survival of the fittest and in some cases by Governmental encouragement. This was recently the case in the petroleum industry when the Government observed that fifty firms in the field seemed to constitute a case of overpopulation and politely suggested that some consolidation or mergers might be in order. It would be reasonable to assume that the Government will take a similarly active role in the laser and other high technology industries once the state of the art has neared the point of commercial application in order to enhance the competitiveness of the end product.